

<i>SERFF Tracking Number:</i>	<i>AGNY-126829414</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>National Union Fire Insurance Company of Pittsburgh, Pa.</i>	<i>State Tracking Number:</i>	<i>EFT \$125</i>
<i>Company Tracking Number:</i>	<i>AIC-08-EO-05</i>		
<i>TOI:</i>	<i>11.0 Medical Malpractice - Claims Made/Occurrence</i>	<i>Sub-TOI:</i>	<i>11.0000 Med Mal Sub-TOI Combinations</i>
<i>Product Name:</i>	<i>Neurologists Professional Liability Insurance Program 018300000750</i>		
<i>Project Name/Number:</i>	<i>Neurologists Professional Liability Insurance Program/AIC-08-EO-05</i>		

## Filing at a Glance

Company: National Union Fire Insurance Company of Pittsburgh, Pa.

Product Name: Neurologists Professional Liability Insurance Program 018300000750  
 SERFF Tr Num: AGNY-126829414 State: Arkansas

TOI: 11.0 Medical Malpractice - Claims  
 Made/Occurrence  
 SERFF Status: Closed-Filed State Tr Num: EFT \$125

Sub-TOI: 11.0000 Med Mal Sub-TOI  
 Combinations  
 Co Tr Num: AIC-08-EO-05 State Status: Fees verified and received

Filing Type: Rate/Rule  
 Reviewer(s): Betty Montesi, Edith Roberts, Nancy Horton

Author: Myron Harry Disposition Date: 11/16/2010

Date Submitted: 11/08/2010 Disposition Status: Filed

Effective Date Requested (New): 12/15/2010

Effective Date Requested (Renewal): 12/15/2010

State Filing Description:

## General Information

Project Name: Neurologists Professional Liability Insurance Program

Project Number: AIC-08-EO-05

Reference Organization:

Reference Title:

Filing Status Changed: 11/16/2010

State Status Changed: 11/16/2010

Created By: Myron Harry

Corresponding Filing Tracking Number:

Filing Description:

National Union Fire Insurance Company of Pittsburgh, Pa. submits for your review and approval their Neurologists Professional Liability Insurance Program (the "Program").

Status of Filing in Domicile:

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Deemer Date:

Submitted By: Myron Harry

Please refer to the attached actuarial materials and manual rules for information about the rates and rules included in this submission.

SERFF Tracking Number: AGNY-126829414 State: Arkansas

Filing Company: National Union Fire Insurance Company of Pittsburgh, Pa. State Tracking Number: EFT \$125

Company Tracking Number: AIC-08-EO-05

TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0000 Med Mal Sub-TOI Combinations  
Made/Occurrence

Product Name: Neurologists Professional Liability Insurance Program 018300000750

Project Name/Number: Neurologists Professional Liability Insurance Program/AIC-08-EO-05

The forms for this Program are being submitted under separate cover.

We wish to make this filing effective on or after December 15, 2010, or the earliest date permitted by your Department.

## Company and Contact

### Filing Contact Information

Myron Harry, myron.harry@aig.com  
175 Water Street - 17th Floor 212-458-7057 [Phone]  
New York, NY 10038 212-458-7077 [FAX]

### Filing Company Information

National Union Fire Insurance Company of Pittsburgh, Pa. CoCode: 19445 State of Domicile: Pennsylvania  
175 Water Street Group Code: Company Type:  
New York, NY 10038 Group Name: State ID Number:  
(212) 770-7000 ext. [Phone] FEIN Number: 25-0687550

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## Filing Fees

Fee Required? Yes  
Fee Amount: \$125.00  
Retaliatory? No  
Fee Explanation: Rates filing - \$100.00 - Rules filing \$25.00 - Total fees \$125.00 for one Company  
Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
National Union Fire Insurance Company of Pittsburgh, Pa.	\$125.00	11/08/2010	41641817

## Correspondence Summary

Status	Created By	Created On	Date Submitted
Filed	Edith Roberts	11/16/2010	11/16/2010

SERFF Tracking Number:	AGNY-126829414	State:	Arkansas
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TOI:	11.0 Medical Malpractice - Claims Made/Occurrence	Sub-TOI:	11.0000 Med Mal Sub-TOI Combinations
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Project Name/Number:	Neurologists Professional Liability Insurance Program/AIC-08-EO-05		

## Disposition

Disposition Date: 11/16/2010

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number: AGNY-126829414 State: Arkansas

Filing Company: National Union Fire Insurance Company of Pittsburgh, Pa. State Tracking Number: EFT \$125

Company Tracking Number: AIC-08-EO-05

TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0000 Med Mal Sub-TOI Combinations  
Made/Occurrence

Product Name: Neurologists Professional Liability Insurance Program 018300000750

Project Name/Number: Neurologists Professional Liability Insurance Program/AIC-08-EO-05

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Form MMPCS	Filed	Yes
Supporting Document	Form PROMAL	Filed	Yes
Supporting Document	Form PRONOT	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Forms (all P&C lines)	Filed	Yes
Supporting Document	Explanatory Memorandum and Actuarial Exhs.	Filed	Yes
Rate	Base Rate page	Filed	Yes
Rate	Manual Rules	Filed	Yes

SERFF Tracking Number: AGNY-126829414 State: Arkansas

Filing Company: National Union Fire Insurance Company of Pittsburgh, Pa. State Tracking Number: EFT \$125

Company Tracking Number: AIC-08-EO-05

TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0000 Med Mal Sub-TOI Combinations  
Made/Occurrence

Product Name: Neurologists Professional Liability Insurance Program 018300000750

Project Name/Number: Neurologists Professional Liability Insurance Program/AIC-08-EO-05

## Rate/Rule Schedule

Schedule Item	Exhibit Name:	Rule # or Page	Rate Action	Previous State Filing Attachments
Status:		#:		Number:
Filed 11/16/2010	Base Rate page	Page 1 of 1	New	AR Base Rate Page.pdf
Filed 11/16/2010	Manual Rules	Pages 1 to 9	New	Manual Rules (6-09) - NUFIC.pdf

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.  
NEUROLOGISTS PROFESSIONAL LIABILITY PROGRAM  
ARKANSAS**

**I. Base Rate:**

Base rate is per neurologists for \$1,000,000/\$3,000,000 of Mature Claims Made coverage with Pre-Paid Tail Coverage.

Class 1	Class 2
Neurology including Child - No Surgery (80261)	Neurology including Child - Minor Surgery (80288)
\$7,558	\$11,089

**II. Increased Limits Factors:**

Apply the applicable increased limits factor to the base rate.

<u>Limit of Liability</u>	<u>ILF</u>	<u>ILF</u>
\$100,000/\$300,000	0.673	0.673
\$200,000/\$600,000	0.746	0.746
\$250,000/\$750,000	0.772	0.772
\$300,000/\$900,000	0.797	0.797
\$400,000/\$1,200,000	0.847	0.847
\$500,000/\$1,500,000	0.946	0.946
\$1,000,000/\$3,000,000	1.000	1.000
\$2,000,000/\$6,000,000	1.280	1.280

**III. Claims-Made Step Factor (% of Claims-Made w/ pre-paid tail premium):**

Number of years Claim-Made coverage.

First Year	0.35	0.35
Second Year	0.65	0.65
Third Year	0.85	0.85
Fourth Year	0.95	0.95
Fifth Year and Thereafter	1.00	1.00

**IV. Extended Reporting Claims Endorsement:**

% of mature Claims-Made Premium.

First Year	0.65	0.65
Second Year	1.15	1.15
Third Year	1.50	1.50
Fourth Year	1.70	1.70
Fifth Year and Thereafter	1.85	1.85

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.  
THE NEUROLOGISTS' PROGRAM  
PROFESSIONAL LIABILITY INSURANCE PROGRAM  
MANUAL RULES**

<b>Rule 1.</b>	<b>Rating Profile Items</b>
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The First, Second, and Third Year in Practice credits include military. The discount applies to the first, second, or third year immediately following the completion of residency or fellowship, or discharge from the military, regardless of interruption of time. A member may receive the FYIP, SYIP, TYIP only once.

If both an active part-time credit and an active FYIP, SYIP, TYIP credit are among the rating profile items, the higher credit of the two shall apply.

The Moonlighting credit cannot be combined with a part-time credit.

The PRMS Risk Management Seminar discount cannot be combined with the Other Risk Management Seminar discount.

The current listing of Rating Profile Items (Program discounts, surcharges, credits & debits), is as follows:

<b>First Year in Practice</b>	50% Credit
<b>Second Year in Practice</b>	25% Credit
<b>Third Year in Practice</b>	25% Credit
<b>Moonlighting</b>	50% Credit
<b>Part-Time Practice</b> (20 Hours or Less)	50% Credit
<b>Experience &amp; Schedule Rating Program</b>	See separate sections
<b>Completion of Risk Management Seminar:</b>	
<b>PRMS</b>	10% Credit
<b>or</b>	
<b>Other</b>	5% Credit
<b>American Academy of Neurology Membership</b>	5% Credit
<b>Loss Free Credit</b>	<b>See separate section</b>



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<b>Rule 2.</b>	<b>Vicarious Liability</b>
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The additional premium for vicarious liability coverage is determined as follows:

**VICARIOUS LIABILITY  
Additional Premium for Shared Limit  
(Policy Coverage A)**

**Note: Shared limits not available in: IN, KS, LA, PA, and WI**

No. of Employees/Independent Contractors	Percent of final individual modified premium
1-3	5%
4-10	15%
11-25	25%
Over 25	100%

**VICARIOUS LIABILITY  
Additional Premium for Separate Limit  
(Policy Coverage B)**

No. of Employees/Independent Contractors	Percent of final individual modified premium
0-3	10%
4-10	25%
11-25	50%
Over 25	100%

<b>Rule 3.</b>	<b>Premium Rounding</b>
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All premiums shall be rounded to the nearest whole dollar. Amounts that are less than 50 cents shall be dropped. Increase amounts that are 50 cents or more to the next whole dollar.

Rounding procedures to be followed are taken from the Insurance Service Office, Inc. rules.

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.**  
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**RATES:** Round rates, factors and multipliers after the final calculation to three decimal places. Five-tenths or more of a mill shall be considered one mill, e.g., .1245 = .125

**PREMIUM:** Round the premium for each coverage for which a separate premium is calculated to the nearest whole dollar. Round a premium involving \$.50 or over the next higher whole dollar.

<b>Rule 4.</b>	<b>Maximum 50% Credit</b>
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Maximum 50% credit (discount) applies subject to the following **exclusions:**

- Experience factor is not included
- Schedule factor is not included
- Risk Management Seminar factor is not included
- American Academy of Neurology Membership is not included
- Loss Free Credit is not included

<b>Rule 5.</b>	<b>Prior Acts Endorsement</b>
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The following rating is used when a member converts the claims-made policy to either an occurrence or claims-made with prepaid tail policy (whichever is applicable) and does not purchase the extended reporting endorsement from the prior carrier. The Prior Acts Endorsement will be effective the inception date of The Neurologists' Program occurrence or claims-made with pre-paid tail policy and will cover claims reported after the termination date of the prior claims-made policy for incidents that occurred between the retroactive date and termination date of the prior claims-made policy.

This rating will also be used in situations where the member's most recent previous carrier was The Neurologists' Program and for some reason the member allowed the prior claims-made policy to lapse. The lapsed period cannot exceed one year and must meet acceptable underwriting criteria.

1 <sup>st</sup> year in CLAIMS MADE Coverage	70% of Occ or CM w/PPT Premium
2 <sup>nd</sup> year in CLAIMS MADE Coverage	110% of Occ or CM w/PPT Premium
3 <sup>rd</sup> year in CLAIMS MADE Coverage	135% of Occ or CM w/PPT Premium
4 <sup>th</sup> year in CLAIMS MADE Coverage	145% of Occ or CM w/PPT Premium
5 <sup>th</sup> year and after in CLAIMS MADE Coverage	160% of Occ or CM w/PPT Premium

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MANUAL RULES**

<b>Rule 6.</b>	<b>Experience and Schedule Rating Guidelines</b>
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The following Experience Rating Guidelines applies:

**Severity –**

(Use last five-year experience period prior to renewal application)

Indemnity payment \$30,000 to \$50,000	10% per claim
Indemnity payment \$50,001 to \$99,999	20% per claim
Open or closed claim with Indemnity payment or reserve \$100,000 or more	30% per claim plus 10% each \$50,000 increment above \$100,000

**Frequency** (Open and Closed claims with incurred  
and/or reserved indemnity and expenses totaling  
\$10,000 and above).

Two claims reported within any 12-month period in last three years.	25% each claim
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Three claims reported within last five years.	50% each claim
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**Liability** (Open and closed claims within last 5 years)

a. Deviation from standard of care	50%-non-renewal
b. Non-cooperation with policy conditions	50%-non-renewal
c. Undue familiarity	
Insured admission	non-renewal
Settlement by carrier and/or insured	non-renewal

**Schedule rating characteristics**

The following schedule rating criteria can be used to establish the adjusted annual premium per participant:

Refer to the following, which discusses the underwriting intention for considering risk characteristics not otherwise contemplated in the base rate.

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The rating schedule is intended to create an overall risk profile of the insured. Multiple characteristics should be weighted and evaluated based on measurable statistics, (i.e. practice time, number of patients, length of training or experience or lack thereof, etc). This program is mandatory and to be administered consistently with each insured or prospective insured.

**MODIFICATION FACTORS**

**RANGE OF MODIFICATIONS – Credit/Debit**

- |   |        |
|---|--------|
| 1. Claims Management  | +/-25% |
| <ul style="list-style-type: none"><li>• Internal Review Procedures</li><li>• Commitment to Loss Prevention</li><li>• Incident/Claim Reporting Procedures</li><li>• Other Claims Management Characteristics</li></ul>  |        |
| 2. Risk Management  | +/-25% |
| <ul style="list-style-type: none"><li>• Credentialing/Peer Review</li><li>• Medical Record/Consent Form Documentation</li><li>• Quality Assurance Procedures</li><li>• Employee Selection, Training and Supervision</li><li>• Other Risk Management Characteristics</li></ul> |        |
| 3. General Factors  | +/-25% |
| <ul style="list-style-type: none"><li>• Practice Location</li><li>• Hospital or Facility Affiliation</li><li>• Patient Volume</li><li>• Relative Practice Characteristics</li><li>• Practice Management</li><li>• Risks not Otherwise Contemplated in Base Rate</li></ul>     |        |

***Total adjustment for all items combined cannot exceed +/- 25%.***

<b>Rule 7.</b>	<b>Group Accounts</b>
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**Eligibility**

The medical groups that will be considered for Coverage B of the policy will be professional corporations, partnerships, or associations owned and operated by neurologists.

**Rates**

Each neurologist insured will be rated in accordance with the individual program rules and rates.

Individual coverage for other healthcare professionals covered in a group policy will be rated as a factor of the mature claims made or occurrence rate of a neurologist (class code 80261) rate for that rating area.

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Electroencephalogram Technician	.0046
Medical Assistant	.0046
Medical Therapist	.0046
Mental Health Counselor	.0318
Nurse Practitioner	.0405
Nurse X-Ray Therapist	.0046
Nurse/Registered Nurse	.0046
Occupational Therapist	.0318
Physical Therapist	.0318
Neurologist Assistant	.0405
Psychologist	.0318
Speech Pathologist	.0046
X-Ray Technician	.0046
X-Ray Therapist	.0046

Vicarious liability coverage for the medical group for employed or contracted healthcare providers not insured under the policy will be priced at 10% of the otherwise applicable premium rate (including discounts).

Medical group premium will be priced based on the following:

<u>Number of Insured employees/contractors.</u>	<u>Percentage of Insured Neurologist Base Rate</u>
2-5	10%
6-10	15%
11-20	20%
over 20	25%

The sum of the individuals, medical group and vicarious liability premium will determine the total premium of the medical group.

Insureds can share the limit of liability of the medical group.

The base rate for each insured sharing the limit with the group entity will be reduced by 10% when the total number of insured neurologists in the group exceeds 5 on an annual basis.

The base rate for each insured sharing the limit with the group entity will be reduced by 5% when the total number of insured neurologists in the group is 5 or less on an annual basis.

### **Limits of Liability**

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Refer to policy Limits of Liability Section, Coverage A and Coverage B for application of limits for individual insureds, medical corporations, partnerships, and associations. Refer to the rate schedule for the applicable limits for each state.

**Claims-Made**

The retroactive date can be advanced only at the request or with the written acknowledgment of the insured.

**Group Vicarious Liability Surcharge Endorsement**

If a scheduled insured under the group policy terminates coverage and does not elect to purchase the extended reporting endorsement, the group premium will be surcharged 10% of the quoted ERP premium. The surcharge is applicable as a result of the vicarious liability exposure to the group for the professional services rendered by the insured while working on behalf of the group. The surcharge will be waived if the cancelled insured provides proof of prior acts coverage from the new carrier for the period insured under the group policy.

**Outside Medical Group Practice Activity**

Coverage will be considered for an insured that has a medical practice outside the scope of his/her affiliation with the medical group. The outside practice is subject to underwriting and if accepted will be rated in accordance with the medical specialty rate and total practice hours applicable to all practice activities for which coverage has been provided.

<b>Rule 8.</b>	<b>Locum Tenens</b>
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A Locum Tenens ("hold the place of") works in place of a Named Insured or Additional Named Insured, never at the same time. The Locum Tenens doctor must be underwritten in the same specialty classification as the Named Insured or Additional Named Insured. The program will allow Locum Tenens coverage for a maximum total of 45 days each policy year.

There is no charge for this coverage.

<b>Rule 9.</b>	<b>Suspension of Insurance</b>
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An insured may request suspension of insurance, due to disability or to accommodate a sabbatical leave of training. The insured will not be covered for claims or suits which arise based on an occurrence within the period of suspension. The insured is entitled to report claims during the period of suspension which arise from occurrences when the policy was in force and not on suspense.

Suspension may be secured for a minimum period of 90 consecutive days and for a maximum of one year. This option is allowed only once every four years except for reason of disability.

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Billing for the current quarter(s) is suppressed, and a refund for the quarter(s) or remainder of quarter(s) affected is made to the insured.

Charge 25% of the claims-made rate.

<b>Rule 10.</b>	<b>Policy Minimum Premium</b>
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A minimum annual premium of \$2000.00 will be applied for any one policy with limits of \$1,000,000/\$3,000,000 or lower.

A minimum annual premium of \$4000.00 will be applied for any one policy with limits of \$2,000,000/\$6,000,000.

<b>Rule 11.</b>	<b>Loss Free Credit</b>
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**To qualify for the Loss Free Credit, the named insured must have been practicing at least five (5) years after completion of a residency or fellowship training program and cannot have any open claim(s) with an indemnity reserve more than \$25,000.**

A ten percent credit is available if the Named Insured Neurologist has not had any claim(s) with more than \$10,000 of indemnity payments and loss adjustment expenses more than \$15,000 paid during the previous five (5) years.

A five percent credit is available if the Named Insured Neurologist has not had any claim(s) with more than \$10,000 of indemnity payments and loss adjustment expenses of \$15,001 to \$25,000 paid during the previous five (5) years.

<b>Rule 12.</b>	<b>Tail Coverage (Extended Reporting Period)</b>
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Tail pricing is calculated by applying the factor shown below that corresponds with the Number of Years written under a Claims Made contract to the mature Claims Made premium.

First Year	0.65
Second Year	1.15
Third Year	1.50
Fourth Year	1.70
Fifth Year and Thereafter	1.85

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PROFESSIONAL LIABILITY INSURANCE PROGRAM  
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All discounts, surcharges, credits, & debits applied to the Primary Coverage must be applied to the calculation of the Tail premium as well.

**FREE TAIL COVERAGE**

Tail coverage is free in the event of DEATH or PERMANENT DISABILITY, or when a member reaches age 55 or older and has been insured under a Claims-Made contract with the insurer for at least 5 consecutive years immediately prior to permanent retirement.



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Product Name:	Neurologists Professional Liability Insurance Program 018300000750		
Project Name/Number:	Neurologists Professional Liability Insurance Program/AIC-08-EO-05		

## Supporting Document Schedules

	<b>Item Status:</b>	<b>Status</b>
		<b>Date:</b>
<b>Satisfied - Item:</b> Form MMPCS	Filed	11/16/2010

**Comments:**

Attached please find a MedMal Premium Survey form.

Please note - this is a new Program.

**Attachment:**

MedMal Premium Compariosn Survey.pdf

	<b>Item Status:</b>	<b>Status</b>
		<b>Date:</b>
<b>Bypassed - Item:</b> Form PROMAL	Filed	11/16/2010

**Bypass Reason:** N/A

**Comments:**

	<b>Item Status:</b>	<b>Status</b>
		<b>Date:</b>
<b>Bypassed - Item:</b> Form PRONOT	Filed	11/16/2010

**Bypass Reason:** N/A

**Comments:**

	<b>Item Status:</b>	<b>Status</b>
		<b>Date:</b>
<b>Satisfied - Item:</b> NAIC loss cost data entry document	Filed	11/16/2010

**Comments:**

Attached please find a NAIC - Loss cost Data Entry Form.

**Attachment:**

PC RLC Form - Neurology - AR - 10-2010.pdf

<i>SERFF Tracking Number:</i>	<i>AGNY-126829414</i>	<i>State:</i>	<i>Arkansas</i>
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<i>Project Name/Number:</i>	<i>Neurologists Professional Liability Insurance Program/AIC-08-EO-05</i>		

		<b>Item Status:</b>	<b>Status Date:</b>
<b>Bypassed - Item:</b>	NAIC Loss Cost Filing Forms (all P&C lines)	Filed	11/16/2010
<b>Bypass Reason:</b>	N/A		
<b>Comments:</b>			

		<b>Item Status:</b>	<b>Status Date:</b>
<b>Satisfied - Item:</b>	Explanatory Memorandum and Actuarial Exhs.	Filed	11/16/2010
<b>Comments:</b>	Attached please find an Explanatory Memorandum and Actuarial Exhibits.		
<b>Attachment:</b>	Explanatory Memo & Actuarial Exhs.pdf		

**Malpractice Premium Comparison Survey Form**  
**FORM MMPCS - last modified August, 2005**

**USE THE APPROPRIATE FORM BELOW - IF NOT APPLICABLE, LEAVE BLANK**

<b>NAIC Number:</b>	012-19445
<b>Company Name:</b>	National Union Fire Insurance Company of Pittsburgh, Pa.
<b>Contact Person:</b>	Myron Harry
<b>Telephone No.:</b>	(212) 458 7057
<b>Email Address:</b>	myron.harry@chartisinsurance.com
<b>Effective Date:</b>	

**Submit to:** Arkansas Insurance Department  
 1200 West Third Street  
 Little Rock, AR 72201-1904

**Telephone:** 501-371-2800  
 Email as an attachment to [insurance.pnc@arkansas.gov](mailto:insurance.pnc@arkansas.gov)  
 You may also attach to a SERFF filing or submit on a cdr disk

**Physicians**

<b>Base Rate</b>	<b>Hospital</b>	<b>Clinic</b>	<b>Private</b>
At 500,000/1,000,000	\$	\$	\$
<b>Discounts and Surcharges</b>			
Emergency Room			
Surgery			
Delivery			
Claims Free			
Over 5 years Experience			
Other:			

**Dental**

<b>Base Rate</b>	<b>Dentist</b>	<b>Orthodontist</b>	<b>Oral Surgeons</b>
At 100,000/300,000	\$	\$	\$
<b>Discounts and Surcharges</b>			
Claims Free			
5 years Experience			
Surgery			
Other:			

# NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	AIC-08-EO-05
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	
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		Company Name		Company NAIC Number
3.	A.	National Union Fire Insurance Company of Pittsburgh, Pa.	B.	19445

		Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)
4.	A.	Medical Malpractice	B.	N/A

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Neurologists Professional Liability Program	New Program						
TOTAL OVERALL EFFECT	New Program	0.00%					

6.

5 Year History

Rate Change History

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2005	New Program						
2006							
2007							
2008							
2009							

7.

Expense Constants	Selected Provisions
A. Total Production Expense	25.1%
B. General Expense	2.8%
C. Taxes, License & Fees	2.6%
D. Underwriting Profit & Contingencies	-14.5%
E. Other (explain)	0.0%
F. TOTAL	16.0%

8. N Apply Loss Cost Factors to Future filings? (Y or N)

9. N/A Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable):

10. N/A Estimated Maximum Rate Decrease for any Insured (%). Territory (if applicable):

New Program

New Program

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, Pa.  
NEUROLOGISTS PROFESSIONAL LIABILITY PROGRAM**

**Explanatory Memorandum  
ARKANSAS**

National Union Fire Insurance Company of Pittsburgh, Pa. is proposing to offer Medical Malpractice coverage to Neurologists. The proposed mature base rate, class relativities and territorial relativities are the same as those in use by a competitor in the state. The proposed increased limits factors, claims made step factors, and extended reporting period factors are the same as those in use by an affiliate program offering similar coverage to the Psychiatrists.

**EXHIBIT 1: DERIVATION OF BASE RATE**

The proposed mature claims made rates for this coverage are based on those in use by State Volunteer Mutual Insurance Company. The pure premium was extracted from the competitor's rate. An offset was applied to the indicated pure premium to account for differences in the competitor's increased limit and step factors and those being proposed for National Union.

National Union's proposed expenses were then loaded into the indicated pure premium. The proposed mature claims made rate was judgmentally selected to be the same as the competitor.

**EXHIBIT 1B: CLAIMS MADE STEP FACTOR/INCREASED LIMIT FACTOR ADJUSTMENT**

The indicated pure premium has been adjusted due to account for differences in the competitor's increased limit and step factors and those proposed for National Union. The weighted average step factor and weighted average increased limit factor differentials are applied to the indicated pure premium (Exhibit 1 (6)).

**EXHIBIT 2: EXPENSE PROVISIONS AND DETERMINATION OF EXPECTED LOSS RATIO**

Expense provisions are based on the Medical Malpractice expenses found for American Home/ National Union Group in the Insurance Expense Exhibit. The commission expense is program specific. The expected loss & lae ratio is the complement of the total expenses and profit load. The profit & contingency factor has been calculated based on a target rate of return on equity of 15.0%.

**EXHIBIT 3: INVESTMENT INCOME EXHIBITS**

The investment income exhibits are based on American Home/ National Union Group's Annual Statement experience and incorporate the medical malpractice premium and program expense provisions to determine an indicated investment income offset. The calendar year method was used to determine investment income.

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, Pa.  
NEUROLOGISTS PROFESSIONAL LIABILITY PROGRAM  
ARKANSAS**

**DERIVATION OF CLASS 1/TERRITORY 1 MATURE CLAIMS MADE BASE RATE**

1)	State Volunteer Mutual Insurance Company's Base Rate	\$7,558
2)	State Volunteer Mutual Insurance Company's Expected Loss & LAE Ratio (Variable Expense)	85.70%
3)	State Volunteer Mutual Insurance Company's Discount Factor	0.865
4)	State Volunteer Mutual Insurance Company's Indicated Variable Pure Premium $\{[(1) \times (2)] / (3)\}$	\$7,488
5)	State Volunteer Mutual Insurance Company's Fixed Expense per policy	\$979
6)	Indicated Pure Premium $\{(4) - (5)\}$	\$6,509
7)	NUFIC's Claims Made Step Factor/Increased Limit Factor Adjustment (see Exh. 1B)	0.980
8)	NUFIC's Expected Loss & LAE Ratio	84.00%
	Commission & Brokerage	16.50%
	Other Acquisitions	8.58%
	General Expenses	2.80%
	Taxes, Licenses & Fees	2.57%
	Profit & Contingencies	
	(reflecting inv. income)	-14.45%
	Total Expenses	16.00%
9)	NUFIC's Indicated Base Rate $\{(6) / [(7) \times (8)]\}$	\$7,909
10)	NUFIC's Selected Mature Base Rate	\$7,558

## Claims Made Step Factor/Increased Limit Factor Adjustment

NU's Class 1 = SV's Class 1G	Area 1				Area 1				Area 1				Limits by CW %
	Year 0		Year 1		Year 2		Year 3		Year 4		Year 5		
	SV	NU	(NU/SV-1)*%	SV	NU	(NU/SV-1)*%	SV	NU	(NU/SV-1)*%	SV	NU	(NU/SV-1)*%	
Limits													
\$100,000/\$300,000	1,706	1,780	0.00%	3,373	3,306	0.00%	3,710	4,324	0.01%	3,849	4,832	0.02%	0.09%
\$200,000/\$600,000	2,015	1,973	-0.01%	3,983	3,665	-0.04%	4,382	4,793	0.05%	4,546	5,356	0.11%	0.53%
\$250,000/\$750,000	-	2,042	-	-	3,793	-	-	4,960	-	-	5,543	-	0.57%
\$300,000/\$900,000	-	2,108	-	-	3,915	-	-	5,120	-	-	5,723	-	0.03%
\$400,000/\$1,200,000	-	2,241	-	-	4,161	-	-	5,441	-	-	6,082	-	0.00%
\$500,000/\$1,500,000	2,714	2,502	-0.53%	5,365	4,647	-0.92%	5,901	6,077	0.20%	6,122	6,792	0.91%	6.84%
\$1,000,000/\$3,000,000	3,250	2,645	-13.74%	6,425	4,913	-17.38%	7,067	6,424	-6.71%	7,332	7,180	-1.53%	73.83%
\$2,000,000/\$6,000,000	-	3,386	-	-	6,288	-	-	8,223	-	-	9,191	-	18.11%
Weights for Step Factors													
WTD Avg Step Factor and WTD Avg ILF			12.50%			0.00%			12.50%			62.50%	100.00%
			-1.78%			0.00%			-0.81%			0.65%	-2.02%

NU's Class 2 = SV's Class 2A	Area 1				Area 1				Area 1				Limits by CW %
	Year 0		Year 1		Year 2		Year 3		Year 4		Year 5		
	SV	NU	(NU/SV-1)*%	SV	NU	(NU/SV-1)*%	SV	NU	(NU/SV-1)*%	SV	NU	(NU/SV-1)*%	
Limits													
\$100,000/\$300,000	2,503	2,612	0.00%	4,949	4,851	0.00%	5,444	6,343	0.01%	5,647	7,090	0.02%	0.02%
\$200,000/\$600,000	2,956	2,895	-0.01%	5,844	5,377	-0.04%	6,429	7,032	0.05%	6,669	7,859	0.09%	0.11%
\$250,000/\$750,000	-	2,966	-	-	5,564	-	-	7,277	-	-	8,133	-	0.57%
\$300,000/\$900,000	-	3,093	-	-	5,745	-	-	7,512	-	-	8,396	-	0.03%
\$400,000/\$1,200,000	-	3,287	-	-	6,105	-	-	7,984	-	-	8,923	-	-
\$500,000/\$1,500,000	3,982	3,672	-0.53%	7,871	6,819	-0.91%	8,658	8,917	0.20%	8,982	9,966	0.75%	0.91%
\$1,000,000/\$3,000,000	4,768	3,881	-13.73%	9,426	7,208	-17.37%	10,369	9,426	-6.72%	10,757	10,535	-1.53%	6.84%
\$2,000,000/\$6,000,000	-	4,968	-	-	9,226	-	-	12,065	-	-	13,484	-	73.83%
Weights for Step Factors			12.50%			0.00%			12.50%				18.11%
WTD Avg Step Factor and WTD Avg ILF			-1.78%			0.00%			-0.81%				100.00%
													-2.02%

Claims Made Step Factor/Increased Limit Factor Adjustment - -2.02%

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, Pa.  
NEUROLOGISTS' PROFESSIONAL LIABILITY PROGRAM**

Bxhibit 2

**Derivation of Expected Loss Ratio**

(1) Target rate of return on equity	9.3%
(2) Premium to Surplus Ratio	64.5%
(3) Target rate of return on premium [(1)/(2)]	14.4%
(4) Rate of return on premium	23.8%
(5) Target underwriting profit (loss) [(3)-(4)/.65]	-14.4%
(6) Selected underwriting profit (loss)	-14.4%
(7) Total Expenses	30.4%
a. Commissions	16.50%
b. Other Acquisition	8.58%
c. General Expenses	2.80%
d. Taxes, Licenses & Fees	2.57%
(8) Expected Loss Ratio [1-(7)-(6)]	84.0%

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.-MEDICAL MALPRACTICE							
INSURANCE EXPENSE EXHIBIT							
Countrywide Expenses (in 000's)	2007		2008		2009		3yr Weighted AVG
	\$	%	\$	%	\$	%	
Written Premium	91,943	----	107,683	----	106,863	----	----
Other Acquisition	4,740	5.16%	6,282	5.83%	9,164	8.58%	6.59%
General Expenses	2,113	2.30%	2,004	1.86%	2,992	2.80%	2.32%
Taxes, Licenses and Fees	4,579	4.98%	4,691	4.36%	2,749	2.57%	3.92%



ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## Medical Malpractice

A. UNEARNED PREMIUM RESERVE

1.	Medical Malpractice Direct Earned Premium for Calendar Year 2009		\$122,958
2.	Mean Unearned Premium Reserve $[0.493 * (1)]$ (See Notes p. 2)		60,673
3.	Deduction for Prepaid Expenses (See notes p. 2)		
	a) Commission and Brokerage	16.50%	
	b) Taxes, Licenses and Fees	2.57%	
	c) 50% of Other Acquisition Expenses	4.29%	
	d) 50% of General Expenses	1.40%	
	e) Total	24.76%	
4.	Deduction for Federal Taxes Payable (See Notes p. 2)		7.0%
5.	Net Amount Subject to Investment Income $[(2) \times (1.000 - (3) - (4))]$		41,403

B. DELAYED REMISSION OF PREMIUMS (Agents' Balances)

1.	Direct Earned Premium $[(A.1)]$	122,958
2.	Average Agents' Balance (See Notes pp. 2-3)	0.150
3.	Delayed Remission $[(1) \times (2)]$	18,427

C. LOSS RESERVE:

1.	Direct Earned Premium $[(A.1)]$	122,958
2.	Expected Incurred Loss and L.A.E. Reserves	103,282
3.	Expected Mean Loss Reserves $[4.806 \times (2)]$ (See Notes p. 3)	496,385

@ BLR: 0.840

D. SURPLUS

1.	Direct Written Premium	118,090
2.	Surplus Subject to Investment $[(D.1)/\text{prem to surp}]$	182,947

E. NET AMOUNT SUBJECT TO INVESTMENT:  $[(A.5) - (B.3) + (C.3) + (D.2)]$  702,308F. AVERAGE RATE OF RETURN ON INVESTED ASSETS (See Notes p. 4) 4.66%G. INVESTMENT EARNINGS ON NET SUBJECT TO INVESTMENT  $[(E) \times (F)]$  32,697H. AVERAGE RATE OF RETURN (As % of Direct Earned Premium)  $[(G) / (A.1)]$  26.59%I. AVERAGE RATE OF RETURN (After Federal Income Taxes)  $[(H) \times 0.895]$  23.80%

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## Medical Malpractice

Line A.1

Medical Malpractice direct earned premium for calendar year 2009 as provided by American Home/National Union Group.

Line A.2

The mean direct unearned premium reserve is determined by multiplying the Medical Malpractice direct earned premium in line (A.1) by the countrywide ratio of the mean direct unearned premium reserve to the direct earned premium for 2009. See below for calculation of this ratio. This ratio is based on data for Medical Malpractice from page 15 of the Annual Statement for American Home/National Union Group

	(In 000's)
1. Direct Earned Premium for Calendar Year 2009	\$ 122,958
2. Direct Unearned Premium Reserve as of 12/31/08	63,107
3. Direct Unearned Premium Reserve as of 12/31/09	58,238
4. Mean Direct Unearned Premium Reserve 1/2 [(2) + (3)]	60,673
5. Ratio [(4) / (1)]	0.493

Line A.3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of the filed insurance coverage exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. Therefore, the deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedure as shown.

Line A.4

Deduction for Federal Taxes Payable:

Taxable percentage of unearned premium reserves (Tax Reform Act of 1986):	20.0%
Corporate Tax Rate:	35.0%
Total Percentage of Unearned Premium Reserve:	7.0%

Line B.2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premiums beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus. (continued)

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## Medical Malpractice

Line B.2 (continued)

Agents' balances or uncollected premiums for premiums due less than 90 days are calculated as follows:

	(In 000's)
1. Net Earned Premium for Calendar Year 2009	\$ 16,580,172
2. Net Agents' Balances as of 12/31/08	2,145,551
3. Net Agents' Balances as of 12/31/09	1,237,503
4. Mean Agents' Balances $1/2 \times [(2) + (3)]$	1,691,527
5. Ratio $[(4) / (1)]$	0.102

The above percentage must be multiplied by a factor of 1.469 to include the effect of agents' balances or uncollected premiums overdue for more than 90 days. The factor 1.469 is based on 2009 company data.

Final adjusted Agents' Balance:

0.1499

Line C.2

The expected loss and loss adjustment ratio reflects the expense provisions used in the filing.

Line C.3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line (C.2) by the average countrywide ratio of the mean loss and loss adjustment reserves to the incurred losses and loss adjustment expenses in 2008 and 2009 for Medical Malpractice Insurance. This ratio is based on Annual Statement Data.

	(In 000's)
1. Incurred Losses and L.A.E. for Calendar Year 2008	96,751
2. Incurred Losses and L.A.E. for Calendar Year 2009	80,053
3. Loss Reserves and L.A.E. as of 12/31/07	465,875
4. Loss Reserves and L.A.E. as of 12/31/08	473,807
5. Loss Reserves and L.A.E. as of 12/31/09	455,657
6. Mean Loss Reserve 2008: $1/2 [(3) + (4)]$	469,841
7. Mean Loss Reserve 2009: $1/2 [(4) + (5)]$	464,732
8. Ratio $(6) / (1)$	4.856
9. Ratio $(7) / (2)$	5.805
10. Average Ratio $1/2 [(8) + (9)]$	5.331
11. Loss reserve for American Home/National Union Group, selected	5.000
12. Estimated Reserve Discount	11.1%
13. Federal Taxes Payable (% of Reserves): $(12) \times .35$	0.039
14. $(11) \times [1.0 - (13)]$	4.806

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## Medical Malpractice

Line E

The rate of return is the ratio of net investment income earned and net realized capital gains (or losses) to mean cash and invested assets (including interest, dividends, and real estate income due and accrued).

<u>Year</u>	<u>Net Investment Income Earned (In 000's)</u>	<u>Mean Cash and Invested Assets (In 000's)</u>	<u>Rate of Return</u>
2008	3,034,220	66,207,940	4.58%
2009	2,671,587	62,874,805	4.25%
Total	5,705,808	129,082,745	4.42%

<u>Year</u>	<u>Realized Capital Gains (or Losses) (In 000's)</u>	<u>Mean Cash and Invested Assets (In 000's)</u>	<u>Rate of Return</u>
2000-2009	1,091,797	455,625,352	0.24%

Total Rate of Return:

Net Investment Income Earned and Net Realized Capital Gains (or Losses)

4.66%

Line H

The average rate of Federal Income Tax was determined by applying the appropriate tax rates to the distribution of investment income earned for 2009 for the American Home/National Union Group.

	<u>Rate of Return</u>	<u>Federal Income Tax Rate</u>
Net Investment Income Earned	4.42%	0.092
Net Realized Capital Gains (or Losses)	0.24%	0.350
Total	4.66%	0.105

1.000 - Federal Income Tax Rate

0.895

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## Medical Malpractice

Line H (continued)

	Investment Income Earned	Federal Income Tax Rate
<u>Bonds</u>		
Taxable	\$ 388,412	0.350
<u>Non-Taxable</u>	<u>1,368,857</u>	<u>0.026</u>
Total	\$ 1,757,268	(A) 0.098
<u>Stocks</u>		
Taxable	\$ 38,773	0.123
<u>Non-Taxable</u>	<u>687,785</u>	<u>---</u>
Total	\$ 726,559	(B) 0.007
<u>Mortgage Loans and Real Estate</u>		
Mortgage Loans	\$ 0	
Real Estate	0	
Collateral Loans	0	
Cash on Deposit	0	
Short Term Investments	5,322	
<u>All Other</u>	<u>236,161</u>	
Sub-Total	\$ 241,483	0.350
Total	\$ 2,725,310	0.096
Investment Deductions	\$ 42,607	0.350
Net Investment Income Earned	\$ 2,682,704	0.092

(A) Assume 50% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed at the full corporate income tax rate of 35%. The applicable tax rate is thus 2.6%.  $((.50 \times .15 \times .35) = .026)$

(B) 30% of dividend income is subject to the full corporate income tax rate of 35%. Assume 50% of the dividend income on stocks is subject to proration; that is, 15% of the remaining 70% of dividend income is taxed at a rate of 35%. The applicable tax rate is thus 12%  $((.30 \times .35) + (.50 \times .70 \times .15 \times .35) = .123)$ .